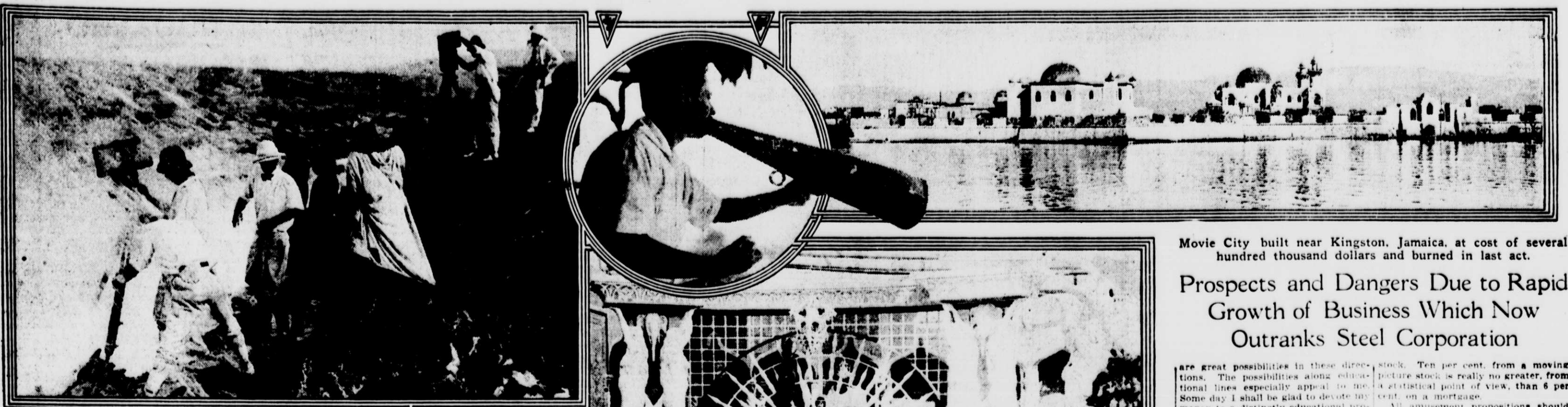


MILLIONS IN THE MOVIES AND MORE MILLIONS TO COME



Movie City built near Kingston, Jamaica, at cost of several hundred thousand dollars and burned in last act.

Prospects and Dangers Due to Rapid Growth of Business Which Now Outranks Steel Corporation

are great possibilities in these directions. The possibilities along educational lines especially appeal to me. Some day I shall be glad to devote my money to a distinctly educational production; for such productions present possibilities not only beneficial but even profitable to the public.

At the present time the stock in a large number of movie companies is being offered to the public, and I am continually being asked whether or not such stock should be purchased. Every one realizes that the movie industry is a gold mine at the present time, and naturally every one wants to get into it. There is no doubt that those who first got into it have made a great deal of money and many are making fortunes today. On the other hand, does not the very fact that every one recognizes that the movie industry is a gold mine make it undesirable that new people should attempt to enter it?

The richest gold mine in the world may not necessarily be a good investment. It all depends upon the price which one must pay for the gold mine, and the number of similar gold mines being operated. The man who makes money in a gold mine is the man who discovers it or who buys land for farming purposes and discovers that it contains gold so that he can have a gold mine. In other words, the profits in this world come to those who do something first. The leaders in business are those who make the money, not the followers. Those who invest in any industry when it is new are those who make fortunes, not those who invest it after every one has recognized its possibilities.

Of course many say that the movie industry is still new and that ten years hence we shall look back and consider its condition today as that of infancy. Here of course is the question of quantity. If the industry has been pretty well developed then the great speculative possibilities are past, but if the industry is still in its infancy then the investment possibilities are still great. As to whether the movie industry is true gold mine or as good as mine.

One thing is certain, namely that the industry is bound to encounter a period of reorganization and consolidation. At the present time too many companies are springing up. Too many companies are producing too many pictures, yet a great many small companies are bound to go to the wall. The movie industry is destined by nature to be a large monopoly. It is the fact that the larger it is the better service it can render and the lower the prices at which it can sell its products.

I am told that at the present time about twenty new companies a week are being started. Of course this cannot continue very long. There is bound to come a general smashup, when the weaker companies will fall by the wayside and be absorbed by the stronger companies. Then will come a time of reorganization and consolidation.

Many think that the situation will work out as the telegraph industry has developed. Gradually the thousands of small companies have been absorbed by the two large companies, namely the Western Union and the Postal Telegraph. I should be surprised to see it go as far as this. On the other hand I am certain that the hundreds of small producing companies of today will be consolidated into a few large ones and that the number of large ones may be less than half a dozen.

I don't mean by this that I am bearish on the industry. On the contrary, I am very bullish on it as a whole. I am one of those who are inclined to believe that the industry is in its infancy yet. There are those who do not wish to take the responsibility of keeping any one out of it who is acquainted with the conditions. I do, however, wish to add one word of warning, namely, if you are going into the movie industry don't buy stock of promoters.

If twenty new companies a week are now being formed probably half of them are being formed to sell stock rather than to sell pictures. You should be very careful to give your money to a company that is going to produce pictures. If you want to put money into the movies go to some friend in whom you have confidence who is connected with the industry and tell him your desires. Don't buy stock simply because it is offered or in companies with whom management you are not acquainted.

There are probably few lines of business where so much depends upon one man as in the movie business. Men who invest millions in the movies are often betting their money on one or two men. Success or failure lies in the hands of the producer. If the producer and the business men who sell to the public. For this reason dividends received from movie stock should be large. In other words, if you are satisfied with a 5 per cent. from a bank stock, 6 per cent. from a railroad stock or 7 per cent. from a steel stock you really should demand at least 10 per cent. from a movie

stock. Ten per cent. from a movie picture stock is really no greater, from a statistical point of view, than 6 per cent. on a mortgage.

All amusement propositions should pay handsomely, owing to the risk involved. The amusement business is a very risky business, exceedingly profitable when things go well and exceedingly unprofitable when things do not go well. Therefore one should demand a high rate of interest, even from the conservative companies, especially while they are small and in their present stage.

As the companies consolidate and become larger one may be satisfied with 7 per cent. or 8 per cent. The big companies of the future will have so many productions going on at once that they can depend upon the law of averages for their income. A certain percentage of their productions will be unsuccessful, but they will have so many that they can depend upon the law of averages for a reasonable return.

In other words, a company which is formed to produce only one big spectacular play a year has all its eggs in one basket and stockholders should receive 10 per cent. or 12 per cent. a year in order to provide against years when they will receive nothing. The big companies of the future which will produce a number of new plays each year can afford to have some of them fail. The stocks in these big consolidated companies should be a fair investment. The stock in many of the standard companies today is a good investment. The fake companies, however, should be avoided.

In connection with my investigation of the movie industry from a financial point of view there is one feature in which I disagree with some of the big producers and great artists. I have found a feeling among these that the great thing necessary from now on to make a picture a success is to spend money. They are of the opinion that it can be advertised as a million dollar production it is sure to make millions. Hence money is spent as freely as water in many instances.

Efficiency is absolutely an unknown word in the movie industry. The people are engaged apparently in the vain quest to spend so much money and it is immaterial how it is spent. I cannot agree with this point of view. I don't believe the public will be attracted by the waste of money. The public will spend money, but they will judge pictures on what they are and not by what they cost.

I have been much amused by propositions which have been offered to me recently. For instance, one promoter came along with a plan to buy up all the property in a town and then blow the town up. Another proposition which has reached Wall Street is that of buying a part of the city of Johnston and having another Johnston blown up. The amusement of the movie public, of course some of these things will be done, but the public will ultimately judge pictures on their own merits rather than on the amount of money spent on them.

Although both the gross receipts and the expenses are increasing in the movie industry, yet the expenses are increasing at a more rapid rate than the gross receipts. If this continues indefinitely the movie industry is headed for temporary disaster. It is all a matter of the line of expense to continue for the time being, but it must not continue upward more rapidly than the line of gross receipts. If it does then the expense line will soon overtake the receipt line and there will be a crash.

Moreover, I do not believe that the movies are capable of doing everything, as some people think. There will always be a time when some pictures can be shown better as still pictures than as moving pictures. Moving pictures have their limits as well as still pictures, although their limits are very much greater and wider. For moving pictures to be a permanent success they must confine their field to productions which require action in order to be properly shown. The present schemes for faking action simply to make something move cannot long be a profitable business.

In conclusion it is only fair to my readers for me to say that many disagree with this diagnosis of the moving picture industry. Many who know much more about it than I do contend that moving picture trusts such as I look forward to will never exist. They give three reasons for this:

1. Because it costs so little to make a picture or start a theatre.
2. Because so many persons are vain enough to think they can write scenarios or become moving picture actors or actresses and to back some one who can write or act.
3. Because one has only to make one big original production to get enough business to make an independent production pay.

I, however, still cling to the opinion that the movie picture industry is a natural monopoly and that the stock in this trust after the coming period of readjustment is sure to be a standard investment as are investments in other lines of industry. I go further and say that the moving picture business is bound to be the object of a fight among millionaires and specialists. It is a millionaire's game. In other words, there are millions in movies, but these millions will go to those who already have millions, not to poor people like you and me, except by accident.

Statistician Tells How Law of Averages Makes Possible the Tremendous Expense of Film Spectacles

By ROGER W. BABSON.

ON the morning that I sailed on my long trip around South America, some eighteen months ago, a man called upon me at the Technology Club, New York, where I was staying. He introduced himself as the president of a moving picture company. Said he:

"I hear you are going around South America. I wish to send a man with you to take moving pictures of the trip."

"But the time is too short," said I, "to arrange anything like that. Besides I cannot afford to take a man along."

"Oh," replied this genial person, "we will supply the man and the machine and will pay all expenses. All I ask of you is that when you interview a President in one of these countries you permit our man to accompany you."

I told him that this was satisfactory as far as I was concerned, but that he must arrange with Charles H. Gates, who had charge of everything. Then I thought nothing more of the matter.

When the time of sailing came, however, a fat and jolly movie operator stood on the dock taking the ship's picture as it left the wharf. We naturally wondered why he was not aboard. A room had been engaged for him and we had been told that he would go with us. But we went off and left him, although a rumor was about to the effect that he would join the ship at Havana.

Imagine our surprise, however, on entering Havana harbor four days later to see that same fat and jolly operator perched on the wall of Morro Castle taking our picture as we sailed in. He had gone to Florida by rail and crossed over ahead of us. Upon our asking him why he did not come with us on the steamer from New York he replied:

"Well, you know the ship sailed in a driving snowstorm. It was too good a picture not to get. It occurred to me that the contrast between leaving cold New York in that snowstorm and entering sunny Havana harbor, with its palm trees, four days later was too good to miss."

At Havana he boarded our ship and went with us 19,000 miles. This was my first acquaintance with the movies, and it opened my eyes. From that day to this I have been studying this wonderful development, trying honestly to answer the questions: What is the future of the movie business? Is it still in its infancy, or is it nearing maturity? Is it a fad or has it come to stay? Will the great work of the movies always be mainly along amusement lines or will its great future be in connection with commerce and industry?

Every month that I have studied these problems I have been more and more astounded at the magnitude of the business. One who has not had business in that part of New York city bounded by Fifth avenue on the east, Forty-second street on the north, Fortieth street on the south and the North River on the west can know nothing of the wonders of this great moving picture industry. Just think: Ten years ago it stood at the bottom of the fifty leading American businesses and to-day it is one of the leaders. Ten years ago perhaps 100,000 people a week attended moving picture theatres; now 10,000,000 people attend each week. Ten years ago \$1,000,000 represented the entire year's income, while to-day \$1,000,000 is taken in a single hour every night in the year.

But the really great changes have come by leaps and bounds during the past five years. During this short time more than a billion dollars have been invested in the business, while the capitalization of the various movie companies to-day exceeds that of the United States Steel Corporation and its allies.

Five years ago a friend of mine, while calling upon Robert B. Mantell

at his beautiful home, suggested that the day would come when he would be acting for the movies.

"Never! No, never!" replied the famous actor.

Nevertheless I recently spent an entire morning watching a movie man bossing around not only Mr. Mantell but his wife also; and both were very humble actors. The fact is that no celebrated actor can to-day refuse the fabulous salaries which these movie people can afford to pay.

Already I have met several of them who are receiving more salary than the President of the United States, while thousands of operatives, young girls and others connected with the business, are getting greater pay than our Senators and Representatives at Washington. The salaries paid to Geraldine Barrar, Annette Kellermann, Mary Pickford, Dustin Farnum, Billie Burke, Charlie Chaplin, Marguerite Clark and others are reported to be in six figures.

Moreover, this does not apply merely to the famous players who had a big reputation on the regular stage before the movies bought them. Many young people who started work unknown at a few dollars a week five years ago are now getting many hundreds of dollars every week. The little girl named Theda Bara became a great star overnight when she appeared in "A Fool There Was." She is only one of many similar cases.

How long can this mushroom growth continue? Or is it unfair to call it mushroom growth? How much further can this great bubble expand? Or is it unfair to call it a bubble?

"How about the old German proverb that trees do not grow to the skies?" I asked the head of a great movie company, but he only replied: "That proverb is probably true, but the movie tree is just poking its head above the ground. It has not begun to grow."

Only about a year ago the country was astonished by the production of "The Birth of a Nation" at a cost of \$1,000,000. Recently, on the island of Jamaica, I was with Herbert Brenon (who first made his reputation as the director of "Neptune's Daughter") while he was preparing a new play at a cost of perhaps \$1,000,000. Talk about geometrical progression! Here is a jump in the cost of production from \$100,000 to \$1,000,000 in five years and then from \$1,000,000 to \$1,000,000 in only one year!

For the setting of this new play an old Spanish fort was necessary, so the sunny seas were searched in order to get one. The most suitable one was found half under water near Kingston, Jamaica. It was called Fort Augusta. To pump out the water, drain the land, kill the mosquitoes and fill in cost \$100,000. But this was only the beginning.

The story made it necessary that a Moorish city should be built behind this fort. In this city must be a real palace, an actual slave market, stores of all kinds and everything else that one sees in an old Moorish city. Moreover, these stores must be full of goods—cloth, pottery, baskets, provisions, etc., the streets must be full of people and all the people must be black and have Oriental costumes.

Such a city was built, so that when a stranger entered the harbor of Kingston, Jamaica, in February of this year this new movie city was more in evidence than was old Kingston itself. It is certainly more spectacular. To build this city is said to have cost between \$300,000 and \$400,000. To transplant one coconut tree cost \$200, while it cost \$1,000 just to repair a sentry box on the old wall.

But the building of the city was only a part of the expense. As I have said, it must be populated, and all of the inhabitants had to be hired at from 50 cents a day upward. The day I was there 750 actors were performing. For the day on which I left

Jamaica over 3,000 were engaged and some days the number ran up to 5,000, all of whom must be provided with costumes and many with helmets, spears or bows and armor.

For one scene in one day Mr. Brenon wanted the use of ten camels for about five minutes. Arrangements were made with the manager of a circus in New York for ten camels to be sent at a cost of \$200 a day—total cost \$7,000. When you see this play on the screen these camels will show for just ten seconds—cost \$700 a second for the camels alone!

And yet this great Moorish city, costing half a million dollars, is only one scene of the story. A little gnome city was also constructed at St. Ann's Bay, forty miles away; for another scene in which 500 little children performed as fairies. Other scenes have been taken under water in the harbor of Kingston with twenty famous swimmers from New York dressed as mermaids. Miss Kellermann, the star of the story, was even taken up into the forests of Jamaica and with her hands allowed to float down a rapid stream and over a natural precipice.

Actually no expense has been spared. Anything wanted has been secured, whatever the cost. For one scene a hundred boats were wanted and all Jamaica was scoured to secure them. Each boat had to have an Oriental sail, so a hundred sails were made, all dyed a dark red to harmonize with the landscape. And these boats appear on the scene for just eight seconds!

But all this expenditure is based on reason. The only wonder is that more people did not have the sense to anticipate such achievements. Any one who had stopped to think it over could easily have foreseen that the presentation of any big spectacle like "The Birth of a Nation" was sure to be a money making proposition without the slightest risk. This is a result of the law of averages.

When a regular theatrical company is formed to stage some great play with a famous star it can appeal each night to only one audience. If the house is full and this one audience is receptive it is a profitable investment, but if not it fails. At the most the receipts are limited to the seats of one theatre and for the time being to the whims of one community. With movie productions it is entirely different.

When a movie company gets Lillian Russell to play for it it can prepare a hundred or a thousand of the films almost as cheaply as any. As a result the movie company that employs Lillian Russell can show its play with her as the star at a thousand theatres each night instead of at only one. This not only gives the producers of movie plays an infinitely greater field to draw upon but their eggs are not all in one basket.

Instead of being dependent upon the whims of one community at a time they are appealing simultaneously to thousands of cities. In view of this the law of averages makes the movie production a real investment, while the same thing for the old fashioned Broadway theatrical manager would be a foolish gamble. Hence

Interior of a palace in a moving picture city. The fittings of this court were very costly. (In the insert above) Herbert Brenon giving 5,000 people instructions as they begin the day's work.

the movie producers can afford to pay a famous actress ten or twenty times as much as any theatrical man can pay.

For a single old fashioned theatre to pay Charlie Chaplin a hundred dollars a day would have meant bankruptcy, but a movie company can pay him \$1,000 a day and consider the money a conservative investment. In fact, if Chaplin would agree to pose only ten or twenty days a year any one of the large movie companies could easily afford to pay him \$25,000 a year. This economic feature very much appeals to me and leads me to believe that the really big movie development is still in the distant future.

Last summer I spent a week at Lake Placid and was shown by Fairbanks, the famous efficiency engineer, the way he studies the motions which a workman goes through in making a shoe or any other article of manufacture. The plan is very simple. He puts a small electric light on the back of the workman's forehead and sets him to work at a bench. Behind the bench on the wall is a large clock with big minute and second hands.

With a motion picture machine he photographs the man at work, with the clock and its swiftly moving second hand in the background. After the film has been developed it is possible to study every motion, to ascertain just the time taken for each of the fundamental movements, and thus to eliminate needless motions.

In every factory some men will make the same thing much faster than other men will. Strange to say, sometimes the fast working men work more slowly than the others. The motion picture camera shows that the supposed fast workers leave out certain unnecessary motions that the others put in. Great results are possible from the motion picture machine along these lines for selling real estate.

There is sure to be a great development in the manufacture and sale of small motion picture cameras. The time may come when every detective, and perhaps every policeman, will be obliged to carry one. The time may come when every man may be obliged by the liability insurance companies to have one on the front of his automobile in order to get a record of any accident to which he is a party.

Motion picture machines will be used some day for selling real estate. Instead of going a hundred miles away to see a house or farm you may see it in the exhibition room of the real estate agent. Scores of other lines of business, including sales agencies, oil mills and factories will be compelled by competition to show how the goods are made.

The motion pictures may perform a very important part in education. Already they are being used to a small extent, although as yet not very profitably. The time is coming, however, when economic necessity will compel colleges to use motion pictures instead of so many salaried professors. Instead of a hundred mediocre doctors dissecting a body before a hundred different medical classes the best surgeon in the world will do it through motion pictures for all these colleges.

Moving pictures are fast becoming the great newspaper of the masses. The pictures put out under the name of "weeklies," "pictographs" and "current events" by the various film companies are very popular and instructive. Up to now all pictures are flat; that is they look like ordinary photographs. But did you ever look into a stereo-

scope and note the "third dimension" effect, so that one person can be seen back of another? Well, it is certain that this "third dimension" will be developed in connection with motion pictures. When this development comes the industry will certainly take another great stride forward.

A great impetus may take place after the war if releases are then made of the great war scenes which have been taken. Every Government has its own corps of movie men. After a battle is over the films are run off before the staff officers, and they study to discover where mistakes were made. When Harvard, Yale or any other college plays football this same system is used for studying good plays and poor plays.

Many men are at work this very day on colored motion pictures. We have already colored still pictures, and colored moving pictures will some day follow. Again, a great stride forward will be taken when colored pictures can be economically and safely shown. It is already possible to show colored pictures, but the process makes the present colored pictures very hard on the eyes. Some process will some time be discovered which will eliminate this present difficulty.

Another new development will be in connection with the exploitation of famous authors. Mary Pickford has been exploited, but Rudyard Kipling has not. Some day the means will be found and the movie companies will be competing with the great magazines for contracts with Sam Rhyne, Ivan Cobb, H. G. Wells and the rest. Whether this development will put the magazine in the background with the old time Broadway theatre is an interesting question. Some say it will, and others insist that it will not.

The movies have not yet got mixed up with commercial advertising, as have the newspapers and magazines. Personally I hope they never will, and my reason is this: You and I are obliged to read the advertisements of a newspaper or magazine. We read them or not, as we please. But were an advertising film inserted on the screen between the legitimate pictures we in the audience would be obliged to sit and read it or else look some other way. Of course some poor students of human nature offer this very fact as a reason why advertising in the movies could be profitable. This, however, is false reasoning. When an attempt is made to force us to read or buy a spirit of opposition reacts within us to the detriment of the man or concern that is trying to force us.

So far as the most trusted experts see the amusement field will always be the amusement field. It will continue to be the great money making opportunity for the movie people. I asked Herbert Brenon, who has produced the greatest shows up to this time, to shut his eyes and tell me what he thought the movies would be doing in ten years hence. Said he:

"The first development, which is already in progress, will be toward longer reels or, rather, longer productions. Instead of having half a dozen different plots shown in one evening, or even two or three, the entire evening will be devoted to one production. I refer to such productions as 'The Birth of a Nation,' 'Neptune's Daughter' &c. The new creation 'The Daughter of the Gods' will be along these lines.

Such plays can be produced much better than shorter ones. In other words, the movie theatres are bound more and more to take the place of the regular theatres, with one evening devoted exclusively to one cast and one play.

"Such longer plays will inevitably lead to long runs. For instance, instead of the movie houses in New York

thinking that they must have a change of cast or scene once a week they will be content to run the same production for several months or an entire season. After a play runs in the leading theatres of five or six big cities the production will be shown in other cities. Gradually it will appear in smaller and smaller places.

This gives a long life to a play, a life of at least five to ten years. This has its commercial as well as its sentimental value. Although the price to the theatre for the use of the reels will decrease as the size of the city decreases, yet the number of cities in which the production will be shown will rapidly increase as their size diminishes.

For instance, the first year the producers might get \$50,000 each from five theatres, making a total of \$250,000. The second year they might get only \$20,000 from each theatre, but they would be receiving an income from fifty theatres; while three years later they might receive only \$250 per theatre, but a thousand theatres would be showing it."

In these remarks of Mr. Brenon's he touched on the great economic possibilities of the game. Nothing succeeds without a reason, hence there is a real reason why the movie business is such a financial success and always will be. In bears the same relation to the amusement field that the chain stores bear to the merchandizing field.

When a cast plays in the old way its income is absolutely limited each day to the capacity of the theatre. Hence there is almost a physical limit to the amount of money which can be spent profitably in producing a play to be shown along the old lines. When a cast, however, plays to the movie camera its efforts can be shown every night to thousands of audiences. Moreover these audiences are not confined to any one country, as pictures are a universal language. With this thought in mind it will be seen that there really is not so much risk in spending a million dollars for one production before the camera as in spending a few thousand dollars for one Broadway production to be shown along the old lines.

The development of the business along these lines necessitates a complete and modern selling organization, and I was much interested in what the financial head of one of the big companies told me. It was as follows:

"Producing a play is only a part of the game. After a play is produced the reels must be sold. As the expense of the production increases the importance of the selling becomes vastly greater. Productions are perishable in a way, for some one else may at any time produce a similar play, and this would tend to kill both.

"Every man producing a play wonders whether some one else has in the meantime produced a similar play, or may indeed be even then at work upon it. This is what I mean by saying that productions are in a way, perishable. The more quickly they are produced and the more quickly they are presented after being produced the greater the profit. Hence the successful company must contain two important personalities; namely, a great producer and a great business man.

"A company which lacks either one of these is doomed to failure. Given these two master minds success is inevitable, and the greater the success the less the competition and the greater the rewards.

"But you asked me about new developments in the business. Perhaps you have in mind the possibilities of the use of moving pictures in education, scientific and other work. If so let me say that I agree with you that there